

# Public Hearing Work Session

<b>Agenda Item #</b>	2 and 10
<b>Meeting Date</b>	May 7, 2007
<b>Prepared By</b>	Barbara B. Matthews City Manager
<b>Approved By</b>	

<b>Discussion Item</b>	Public Hearing and Work Session concerning the proposed budget for FY08
<b>Background</b>	<p>The City's new fiscal year will commence on July 1, 2007. In accordance with Article VIII of the Charter of the City of Takoma Park, the City Manager has prepared a proposed budget for consideration by the City Council.</p> <p>The proposed budget for FY08 accounts for the City's financial activities in three major funds or fiscal entities. They are the General Fund, the Stormwater Management Fund, and the Special Revenue Funds.</p> <p>The budget submitted by the City Manager reflects a reduction in the current real property tax rate of \$0.63 per \$100 of assessed valuation to \$0.61. This rate exceeds the Constant Yield Tax Rate of \$0.563.</p> <p>On April 9, 2007, the City Manager provided the City Council and the public with an overview of the proposed budget for FY08. The public hearing on May 7, 2007 provides an opportunity for Takoma Park residents to comment on the City Manager's recommended budget before the City Council begins its deliberations.</p> <p>On May 7, 2007, the City Council will begin its deliberations of the proposed budget for FY08. The work session will focus on an overview of the General Fund, including its fund balance.</p>
<b>Policy</b>	In accordance with Article VIII of the Charter of the City of Takoma Park, the City Manager is charged with submission of a proposed budget for consideration of the City Council. Before adoption of the budget, the City Council shall hold at least one public hearing.
<b>Fiscal Impact</b>	The City Manager's proposed budget for FY08 provides for total expenditures of \$20,545,625. General Fund expenditures total \$19,411,809. Combined expenditures for the other funds (Stormwater Management and Special Revenue) equal \$1,133,816.

<b>Attachments</b>	<p>Staff previously provided the City Council with a binder containing information related to the proposed budget for FY08. The information contained therein will be discussed at the work session. Staff requests that Councilmembers bring their binders with them to the work session.</p> <p>Additional information related to the proposed budget is as follows:</p> <ul style="list-style-type: none"> <li>• Copy of City Manager's budget presentation made on April 9, 2007</li> <li>• Combined Statement of Revenues, Expenditures, and Changes in Fund Balance</li> <li>• General Fund Budget Summary</li> <li>• General Fund Fund Balance Projection</li> </ul> <p>More information on the proposed budget for FY08 can be found on the City's website, <a href="http://www.takomaparkmd.gov">www.takomaparkmd.gov</a>.</p>
<b>Recommendation</b>	Staff recommends that the City Council conduct the public hearing and listen to the comments from Takoma Park residents about the proposed budget for FY08.
<b>Special Consideration</b>	

City of Takoma Park

City Manager's  
Recommended Budget  
FY08

# Council Priorities 2006 and 2007

- Preservation of affordable housing
- Completion of Community Center
- Promotion of appropriate development
- Redevelopment of New Hampshire Avenue corridor
- Fairer tax duplication payments

# Other Budget Objectives

- Maintenance of adequate financial reserves
- Maintenance of City infrastructure
- Maintenance of City's vehicle and equipment fleet

# FY08 Budget Structure

- Three primary funds/groupings
  - General Fund
  - Stormwater Management Fund
  - Special Revenue Funds
- Presentation mirrors audit format for consistency and transparency

# Budget Overview (All Funds)

- Total expenditures = \$20.54 million
- Total revenues = \$19.13 million
- Other financing sources = \$229,500
- Use of fund balance = \$1.19 million
  - Equipment Replacement Reserve = \$293,741
  - Cable equipment grant monies = \$46,577

# General Fund

- Operational activities of City, such as police protection, snow removal, and trash pick up
- Non-departmental costs, such as insurance coverage
- Debt service
- Capital outlay



# General Fund Overview

- Total revenues = \$18.07 million
- Total expenditures = \$19.41 million
- Operating transfer to other funds = \$36,750
- Sale of City property = \$229,500
- Use of fund balance = \$1.15 million
  - Equipment Replacement Reserve = \$293,741

# General Fund Revenues

- Major revenue sources
  - Taxes and utility fees
  - Intergovernmental revenues
- Other sources
  - Licenses and permits
  - Fines and forfeitures
  - Investment earnings
  - Fees and charges

# General Fund Revenues

## Real Property Taxation

- Primary funding source for City operations
- Assessable base increase of \$153.5 million
  - Increase of 11.8% from FY07
- State Homestead Property Tax Credit
  - Limits increase in taxable assessments to 10% percent for certain property owners

# General Fund Revenues

## Real Property Taxation

- Proposed tax rate = \$0.61 per \$100 of assessed valuation
- Reduction of \$0.02 from FY07 rate

# General Fund Revenues

## Tax Duplication Payments

- Second largest source of operating revenues (16.6%)
- County/Municipal Task Force formed to review current basis for payments
- FY08 payments held to FY07 levels
- Current methodology would have resulted in revenue loss of \$214,000

# General Fund Revenues

## Income Tax Payments

- Difficult to accurately project
- Staff consulted with both State and County officials to arrive at FY08 projection
- FY08 revenues = \$2.1 million
  - Equals 11.5% of General Fund revenues

# General Fund Revenues

## Other Highlights

- Investment revenues projected to increase by \$90,000 compared to FY07 budget
- Operating grant for New Hampshire Avenue Recreation Center to increase by \$25,000
- Full County funding for day laborer site

# General Fund Expenditures

- Increase of \$1.5 million compared to FY07
- Majority of increase is personnel-related
- Use of fund balance for non-recurring capital projects or initiatives



# General Fund Expenditures

## Personnel Costs

- 56% of General Fund expenditures
- Market adjustment of 3.5%
- Increase in base contribution rate for the State Retirement Plan
- Health insurance costs up by 20%

# General Fund Expenditures

## Personnel Costs

- Full funding of 41 commissioned police staff
- Increase of 1.1 FTEs
- Addition of a crime analyst in Police Department
- Restructuring of three part-time custodial positions in Public Works
  - Creation of one full-time position and one part-time
  - Additional cost for benefits for full-time employee

# General Fund Expenditures

## Personnel Costs

- Consolidation of Recreation part-time staffing hours
  - Creation of one full-time position to staff main reception desk
  - Additional cost for benefits for full-time employee
  - More continuity and enhanced customer service

# General Fund Expenditures

## Personnel Costs

- City began offering before-school care in FY07
- Strong participation in after-school program
- Consolidation of program staffing hours
  - Creation of 35-hour per week position to oversee both programs
  - Additional cost for benefits for position
  - Improved oversight and coordination of programs

# General Fund Expenditures

## Other Operational Highlights

- Completion of Ethan Allen Gateway Charrette = \$30,000
- Other Design Charrette(s) = \$100,000
- New Hampshire Ave. Marketing = \$41,000

# General Fund Expenditures

## Other Operational Highlights

- Lease payment for take-home police car program = \$170,706
- Increased funding for hazard and health pruning of trees on City property = \$30,000
- Support for Main Street initiative = \$25,000

# Capital Outlay

- Pedestrian safety improvements = \$100,000
- Replacement of Takoma Junction lights = \$95,000
- Design of Public Works facility = \$75,000
- Commercial center improvements = \$65,000

# Stormwater Management Fund

- City responsible for construction and maintenance/repair of stormwater system
- Fund accounts for revenue and expenditure activity related to stormwater management



# Stormwater Management Fund Overview

- Total revenues = \$365,000
  - No change in base rate of \$48
- Total expenditures = \$356,084
  - Maintenance and operation = 71.9 percent
  - Capital outlay = 28.1 percent

# Stormwater Management Fund Capital Projects

- Completion of Phase Two of Cleveland Avenue project
- Continued work at Spring Park
- Installation of inlets and pipe in various locations

# Special Revenue Funds

- Comprised of several funds, including Community Development Block Grant and Program Open Space
- Funds used to account for expenditure activity related to grant monies

# Special Revenue Funds Overview

- Total revenues = \$694,405
- Total expenditures = \$777,732
- Operating transfer from General Fund = \$36,750
- Expenditure of accumulated capital equipment grant monies = \$46,577

# Special Revenue Funds Project Highlights

- Maryland International Corridor CSAFE
- Intersection improvements to enhance safety of children coming to and from school
- Holton Lane streetscape improvements
- Improvements to Jackson-Boyd Park and Jequie Park

# Community Center Fund

- Fund established in FY03
- Accounted for revenue and expenditure activity attributable to the Community Center construction
- FY08 budget assumes completion of all Phase One and Phase Two work by end of FY07

# Community Center Fund

- No fund activity assumed in FY08
- No decision to move forward with gym construction
- No action yet taken on renovation of Chamber/Auditorium
  - Proposals on design services due April 23rd

# Community Center Fund

- FY07 POS funds allocated towards gym project
  - Remaining balance of \$396,000 after feasibility study
  - Could be reprogrammed for Chamber/Auditorium renovation
- FY07 State bond bill monies = \$360,000
  - Planned use was gym design and construction
- Both POS and State bond bill monies distributed on reimbursement basis



# FY08 Budget Summary

- Addresses Council Priorities
- Ensures City's continued financial stability
- Lowers real property tax rate by \$0.02

# Next Steps

- Public hearings on May 7th
  - FY08 budget
  - Constant yield tax rate
- Series of Council worksessions in May

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**ALL GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR BEGINNING JULY 1, 2007**

	<u>General Fund</u>	<u>Stormwater Management Fund</u>	<u>Special Revenue Funds</u>	<u>Total</u>
FY 2008 Revenues	18,071,044	365,000	694,405	19,130,449
FY 2008 Expenditures	19,411,809	356,084	777,732	20,545,625
Excess (deficiency) of revenues over expenditures	(1,340,765)	8,916	(83,327)	(1,415,176)
Other Financing Sources (Uses)				
Sale of property	229,500	0	0	229,500
Operating transfers in (out)	(36,750)	0	36,750	0
Total Other Financing Sources (Uses)	192,750	0	36,750	229,500
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(1,148,015)	8,916	(46,577)	(1,185,676)
Fund Balance				
Beginning of year	5,074,246	174,724	308,562	5,557,532
End of year	3,926,231	183,640	261,985	4,371,856

**FY 2008 BUDGET SUMMARY - GENERAL FUND**

	<b><u>Audited FY04</u></b>	<b><u>Audited FY05</u></b>	<b><u>Audited FY06</u></b>	<b><u>Budgeted FY07</u></b>	<b><u>Estimated FY07</u></b>	<b><u>Proposed FY08</u></b>
<b><u>REVENUES</u></b>						
Taxes and utility fees	8,618,452	9,826,025	10,306,405	10,899,792	11,312,168	12,096,745
Licenses and permits	60,841	63,610	62,415	56,754	74,206	57,654
Fines and forfeitures	104,539	179,323	190,287	175,000	170,500	176,000
Use of money and property	67,280	130,511	184,748	110,000	272,610	200,000
Charges for service	535,401	662,179	725,102	727,900	707,261	848,880
Intergovernmental	3,494,647	4,013,828	4,543,682	4,478,646	4,484,401	4,586,765
Miscellaneous	382,952	212,079	247,158	61,000	80,018	105,000
Total Revenues	13,264,112	15,087,555	16,259,797	16,509,092	17,101,164	18,071,044
<b><u>EXPENDITURES</u></b>						
General Government	2,027,868	1,872,710	1,746,817	2,045,372	1,941,536	2,272,324
Police	4,129,507	4,317,704	4,536,969	5,006,654	4,862,937	5,366,755
Public Works	3,127,512	3,298,099	3,374,145	3,507,759	3,322,898	3,758,072
Recreation	911,957	899,148	930,602	1,176,307	963,079	1,265,035
Housing and Community Development	955,228	907,969	978,292	1,349,500	1,298,544	1,456,868
Communications	299,080	323,696	347,211	360,484	353,169	386,695
Library	685,218	726,621	806,369	880,054	873,430	938,348
Non-departmental	606,117	607,466	395,025	1,263,977	893,743	1,784,626
Capital outlay	394,641	1,166,388	1,643,140	1,280,015	1,231,456	1,150,593
Debt service	307,088	373,930	862,505	1,055,193	990,242	1,032,493
Total Expenditures	13,444,216	14,493,731	15,621,075	17,925,315	16,731,034	19,411,809
Excess (deficiency) of revenues over expenditures	(180,104)	593,824	638,722	(1,416,223)	370,130	(1,340,765)
<b><u>OTHER FINANCING SOURCES (USES)</u></b>						
Bond proceeds	19,475	2,005,000	0	0	0	0
Sale of Property	0	0	157,951	9,000	8,658	229,500
Operating transfers in (out)	(3,019,513)	(403,141)	(801,268)	(85,881)	(185,075)	(36,750)
Total Other Financing Sources (Uses)	(3,000,038)	1,601,859	(643,317)	(76,881)	(176,417)	192,750
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(3,180,142)	2,195,683	(4,595)	(1,493,104)	193,713	(1,148,015)
<b><u>FUND BALANCE</u></b>						
Beginning of year	5,869,550	2,689,408	4,885,091	4,880,496	4,880,496	5,074,209
End of year	2,689,408	4,885,091	4,880,496	3,387,392	5,074,209	3,926,194

*Note: Over the years reflected above, the audit classification of certain revenues changed. For comparative purposes, the audited and budgeted figures shown above have been classified in the same manner as reflected in the FY06 audit.*

**GENERAL FUND  
FUND BALANCE PROJECTION**

	<b><u>As Of</u></b> <b><u>July 1, 2006</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>As Of</u></b> <b><u>June 30, 2007</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>As Of</u></b> <b><u>June 30, 2008</u></b>
Street Loan Proceeds	117,347	0	117,347	0	0	0	0
Emergency Reserve	332,560	0	0	332,560	0	0	332,560
Equipment Replacement Reserve	882,643	300,000	330,151	852,492	500,000	293,741	1,058,751
WSSC Contribution for Future Street Work	0	0	0	0	130,000	0	130,000
 Total Reserved Fund Balance	 1,332,550	 300,000	 447,498	 1,185,052	 630,000	 293,741	 1,521,311
 Total Unreserved Fund Balance	 3,547,946	 641,211	 300,000	 3,889,157		 1,484,274	 2,404,883
 <b>Total Fund Balance</b>	 <b>4,880,496</b>			 <b>5,074,209</b>			 <b>3,926,194</b>